



Request for City Council Committee Action from the Department of Community Planning & Economic Development - CPED

Date: July 8, 2014

To: Council Member Lisa Goodman, Chair, Community Development & Regulatory Services Committee

Referral to: Council Member John Quincy, Chair, Ways & Means Committee

Subject: Public Hearing – Seward Friendship Co-op Redevelopment Plan and Land Sale

Recommendation:

1. Adopt the attached resolution approving the Seward Friendship Co-op Redevelopment Plan;
2. Approve the sale of 3800 Clinton Avenue South to Seward Community Co-op, Inc. or an affiliated entity, for \$20,000 subject to rezoning approval and the terms specified in this report; and
3. Authorize appropriate City staff to execute a land sale redevelopment agreement consistent with the terms specified in this report with Seward Community Co-op, Inc. or an affiliated entity, and any other necessary documents to implement the above recommendations.

Previous Directives: On May 20, 1988, the property at 3800 Clinton Avenue South was acquired by CPED. On November 10, 2003, the subject parcel was approved for sale to the adjacent property owner, the Greater Friendship Missionary Baptist Church, but the contract was subsequently terminated on March 14, 2007. On January 23, 2014 the City Council authorized the submission of a DEED Redevelopment Grant Application on behalf of the Seward Friendship Co-op Project, which was subsequently not funded by DEED.

Prepared by: Mark Garner, Senior Project Coordinator, Phone 612-673-5037

Approved by: Charles T. Lutz, Interim CPED Director

Catherine A. Polasky, Director Economic Policy & Development

Presenter in Committee: Mark Garner, Senior Project Coordinator

Financial Impact

- Elimination of future property management costs estimated at \$3,600 per year.
- Proposed Total CPED Land Assembly Costs Net Sale Proceeds \$ 11,790
- Proposed Sales Price Write-down from Re-Use Value Appraisal: \$0

Community Impact

- Neighborhood Notification: Bryant Neighborhood Organization is the official designated neighborhood organization. On December 20, 2013 Bryant Neighborhood Organization (BNO) and the Central Area Neighborhood Development Organization (CANDO) were notified that Seward Community Co-op had submitted a purchase offer for 3800 Clinton Avenue South. On May 23, 2014, 45-day transmittal letters were sent to BNO and CANDO providing the review and comment schedule for the City Council consideration of the land sale and redevelopment plan for the Seward Friendship Co-op project.
- City Goals: Living Well: Neighborhoods have amenities to meet daily needs and live a healthy life; One Minneapolis: All people have access to quality essentials, such as housing, education, food, child care and transportation; and A Hub of Economic Activity and Innovation: We focus on areas of greatest need and seize promising opportunities.
- Sustainability Targets: Local Food: All residents live within ¼ mile of a healthy food choice.
- Comprehensive Plan: On June 23, 2014, the Planning Commission found the Seward Friendship Co-op Redevelopment Plan and the sale of 3800 Clinton Avenue South for the Seward Friendship Co-op Project to be consistent with the Comprehensive Plan.
- Zoning Code: Will Comply
- Living Wage/Business Subsidy Agreement No ☒
- Job Linkage Yes ☒
- Other: On October 24, 2013, the Planning Staff completed a land sale review of this parcel and determined the proposed development is consistent with the mixed-use designation.

Supporting Information

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALE PRICE</u>
Bryant Regina 1-1	3800 Clinton Avenue South	\$20,000

PURCHASER

Seward Community Co-op, Inc.
2823 East Franklin Avenue
Minneapolis, Minnesota 55406

PROPOSED DEVELOPMENT:

New construction of an approximately 20,000 square foot, 2-story cooperative grocery and deli facility with surface parking spaces, 30 bike racks, and related landscaping and site improvements as required by the land use approval process.

The City-owned lot at 3800 Clinton Avenue South is 4,000 total square feet. In March 2014, Seward Community Co-op, Inc. completed acquisition of an additional seven adjacent and surrounding private properties. The total assembled development site, including the City-owned property will be approximately 52,000 square feet.

LAND DISPOSITION POLICY:

This property is a buildable lot as defined by City policy and is being sold for new development as part of a larger private site assembly of adjoining properties by Seward Community Co-op, Inc.

OFFERING PROCEDURE:

Direct Sale to an adjacent property owner. The City's development property disposition policy permits direct sales where there are no competing interests in the property. There has been no interest expressed in the City-owned property since 2007. The sales price of this property reflects the full commercial re-use value.

BACKGROUND:

Seward Community Co-op, Inc. (Seward Co-op), a Minnesota Cooperative, is an experienced grocery store operator that opened its first store in Seward neighborhood in 1972. Seward Co-op developed, has owned and operates its current store at 2823 East Franklin Avenue, which opened in January 2009. Since opening at the current location, employment in the grocery store has increased from 110 to more than 230 employees, with approximately 70% working full time. Seward Co-op has almost 12,000 member owners. The number of member owners is increasing, as Seward is engaged in a new member outreach and capital campaign to provide funding to support their current expansion plans.

In June, 2013, Seward Community Co-op, Inc. announced its plans to construct a new cooperative grocery store on East 38th Street, between Clinton Avenue South and Third Avenue South in Bryant Neighborhood across the street from the Sabathani Community Center. This area has been identified by the U.S. Department of Agriculture as an urban neighborhood without ready and convenient access to fresh, healthy and affordable food and grocery stores. For several years, local community-based organizations have been recruiting a grocery store to locate in this area. About 15% of Seward Co-op's current membership resides in housing that is located within the trade area of the proposed new store location. Since the site of the proposed grocery store has been zoned for residential use, the properties must be rezoned for commercial use, which requires significant support from nearby property owners and the community,

The proposed Seward Friendship Co-op grocery store is located on the south side of East 38th Street, which is the boundary between Bryant and Central neighborhoods. During the past year, Seward Community Co-op has worked with the Bryant Neighborhood Organization, Central Area Neighborhood Development Organization, nearby property owners, and other local stakeholders, on a community engagement process to provide information, solicit community input and build support for the proposed grocery store.

PURCHASE OFFER:

In October 2013, Seward Community Co-op, Inc. submitted a purchase offer for the City-owned development property at 3800 Clinton Avenue South as part of their site assemblage for the proposed new grocery store. The subject property is a vacant, 4,000 square foot, former single family residential lot that occupies the corner of 38th Street and Clinton Avenue South. The property was acquired by the City in 1988 and a substandard residential structure was demolished at that time. The parcel has been zoned R1A for many years.

An appraisal of the property was completed in September 2013 which established the fair market value of the property when rezoned and assembled with adjoining parcels for commercial development as \$20,000, or \$5.00 per square foot. The appraisal assumed that the property is clean of contamination and has suitable soils for construction. When its purchase offer for 3800 Clinton Avenue South was submitted to the City, Seward Co-op had already negotiated purchase agreements with a number of nearby property owners, including the Greater Missionary Baptist Church, whose former property holdings surround the small City-owned lot. Seward Co-op offered to pay the appraised fair market value for the City parcel.

In November 2013, a CPED Director report authorized staff to negotiate exclusively with Seward-Community Co-op, Inc. for a period of twelve months for the direct sale of 3800 Clinton Avenue South for the construction of a cooperative grocery store, subject to future City Council approval of the property rezoning, adoption of a redevelopment plan, and approval of the land sale.

STATUS OF PROPOSED SEWARD FRIENDSHIP GROCERY STORE PROJECT

Since November 2013, Seward Co-op has completed acquisition of seven private properties that are contiguous with 3800 Clinton Avenue South, secured the required property-owner signatures for the rezoning petition, participated in numerous community meetings about the project, and submitted its complete land use applications for the grocery store project. The land use applications were approved by the City Planning Commission on June 9, 2014. The property rezoning will be considered during the same City Council cycle as this report. Final approval of the Seward Friendship Co-op Redevelopment Plan and the 3800 Clinton Avenue South property disposition for commercial development is contingent upon the concurrent City Council approval of the property rezoning and land use applications required for the Seward Friendship Co-op grocery store project.

Seward Co-op proposes to construct a two-story cooperative grocery and deli facility that also includes meeting rooms and offices, surface parking spaces, 30 bike racks, and related landscaping and site improvements. The building will be approximately 20,000 square feet, with about 15,000 square feet located on the first floor, and 5,000 square feet on the second floor. Including the City-owned property at 3800 Clinton Avenue South, the total development site will be about 52,000 square feet, with the building located at the corner of East 38th Street and Clinton Avenue, and the parking lot located on the western portion of the site along 3rd Avenue South. A site plan and elevations are provided as exhibits to this report. Seward Co-op has estimated the employment impacts as 45 construction jobs, with 100 permanent jobs created at the grocery store.

Total real estate development costs for the project (including land costs, site and construction costs, professional services and contingency) are about \$8.6 million. Grocery store start-up and operating costs (including inventory, fixtures, financing, administration and contingency) are an additional \$3 million, making the total project cost more than \$11.6 million.

Financing for the real estate project will be provided from several sources. Seward Co-op secured an \$8 million dollar New Markets Tax Credit allocation in February 2014, which will attract approximately \$7.7 million in tax credit leveraged loan and tax credit equity investment. Preliminary investor commitments are in place for closing on the tax credit financing before the end of August. Total Seward Co-op member capital to be invested in the new store construction and operations is expected to exceed \$3.6 million dollars. Seward Co-op is currently conducting a major Member Capital Campaign for member stock purchases, member loans, and cash contributions that was launched in March, and is anticipated to raise more than \$2.5 million in owner capital for the new store. In late-April, the Seward Community Co-op Board adopted a resolution authorizing the project to proceed to closing and construction utilizing existing cash reserves, if necessary, once the capital campaign reached a significant fundraising milestone, which was achieved in May.

Seward Co-op anticipates closing on all real estate project financing and the City property acquisition before the end of August 2014, and commencing demolition and site work immediately. The Seward Friendship Co-op grocery store is projected to open in the late-summer of 2015.

SEWARD FRIENDSHIP CO-OP REDEVELOPMENT PLAN

Approval of the Seward Friendship Co-op Redevelopment Plan will facilitate the sale and commercial redevelopment of the City-owned property. The Redevelopment Plan establishes a new project area that includes 3800 Clinton Avenue South, establishes redevelopment objectives for the project area, identifies proposed redevelopment activities, and establishes the future land uses within the project area, which must be consistent with the commercial

redevelopment of a cooperative grocery store. The plan also acknowledges that the City is working with Seward Co-op to explore the feasibility of assisting potential house moves for several existing residential structures located within the grocery store development site. The City Planning Commission found the Redevelopment Plan and proposed sale of 3800 Clinton Avenue to Seward Co-op to be consistent with the Comprehensive Plan on June 23, 2014. Final approval of the Seward Friendship Co-op Redevelopment Plan is contingent upon the concurrent City Council approval of the property rezoning.

BUSINESS TERMS OF SALE OF 3800 CLINTON AVENUE SOUTH

Total purchase price is \$20,000, which is the appraised fair market value of the vacant City lot.

The appraised fair market value assumes that the property is clean of contamination and has suitable soils for construction. The City will create a soil correction escrow account and deposit net land sale proceeds for possible reimbursement to the developer of any documented extraordinary soil correction costs required for construction on 3800 Clinton Avenue South. City staff has reviewed the environmental reports for this property. The agreed upon soil correction allowance is consistent with CPED real estate disposition procedures, and is not a land write-down under the terms of the disposition policy.

Minimum site improvements will require construction of the grocery store and other site improvements as required by the land use approval process and in accordance with the approved construction plans.

Construction is expected to commence shortly after closing and be completed in late 2015.

Closing will be conditioned upon the developer providing a project cost statement and evidence that the developer has sufficient cash resources and/or financing sufficient for construction of the minimum improvements.

A good faith deposit of \$2,000 (10% of the purchase price) will be due from Seward Co-op upon execution of the land sale redevelopment agreement, and will be held by the City until certified completion of the minimum improvements.

Because local job creation is one of the principal public purposes for the sale of the City parcel to Seward Co-op, a Job Linkage Agreement will be required as a condition for closing on the City parcel. The Job Linkage Agreement will establish goals and reporting requirements for permanent jobs created at the grocery store during the first five years of operations.

No City, State or regional financial assistance is being provided for this project.

Staff recommends that the City Council approve the sale of 3800 Clinton Avenue South to Seward Community Co-op, Inc. subject to the terms specified in this report and other standard City contract terms for the sale of City development property at fair market value; and direct appropriate City officers to execute a land sale redevelopment agreement and any other necessary documents.

**RESOLUTION
OF THE
CITY OF MINNEAPOLIS**

By Goodman and Quincy

Approving the Seward Friendship Co-op Redevelopment Plan.

Resolved by the City Council of the City of Minneapolis:

Section 1. Recitals

1.1. Pursuant to Laws of Minnesota 2003, Chapter 127, Article 12, Sections 31-34, and Minneapolis Code of Ordinances, Chapter 415, the City of Minneapolis (the "City"), acting by and through its department of Community Planning and Economic Development, has been granted the authority to propose and implement city development districts, housing and redevelopment projects and tax increment financing districts, all pursuant to Minnesota Statutes, Sections 469.001 through 469.134, and 469.174 through 469.179, as amended, and other laws enumerated therein (collectively, the "Project Laws").

1.2. It has been proposed and the City has caused to be prepared, and this Council has investigated the facts with respect to, the Seward Friendship Co-op Redevelopment Plan (the "Plan"). The Plan identifies the boundary of a new redevelopment project area (the "Project Area"), states the City's objectives, indicates a description of proposed land uses and describes proposed development activity within the Project Area, all pursuant to and in accordance with the Project Laws.

1.3. The City has performed all actions required by law to be performed prior to the approval of the Plan, including, but not limited to, a review of the proposed Plan by the affected neighborhood groups and the City Planning Commission, and the holding of a public hearing after published notice as required by law.

Section 2. Findings

2.1. The Council hereby finds, determines and declares that the objectives and actions authorized by the Plan are all pursuant to and in accordance with the Project Laws.

2.2. The Council further finds, determines and declares that the land in the Project Area would not be redeveloped by private enterprise or made available for redevelopment without the potential methods of financial aid and public assistance identified in the Plan or to be sought after approval of the Plan.

2.3. The Council further finds, determines and declares that the Plan will afford maximum opportunity, consistent with the sound needs of the city as a whole, for the redevelopment of the Project Area by private enterprise.

2.4. The Council further finds, determines and declares that the Plan conforms to the general plan for the development or redevelopment of the city as a whole. Written comments of the City Planning Commission with respect to the Plan were issued on June 23, 2014, are incorporated herein by reference, and are on file in the office of the City Clerk.

2.5. The Council further finds, determines and declares that the Seward Friendship Co-op Redevelopment Project is a redevelopment project pursuant to Minnesota Statutes, Section 469.002, Subdivision 14 and that the Project Area is a "blighted area" pursuant to Minnesota Statutes, Section 469.002, Subdivision 11.

2.6. The Council further finds, determines and declares that the reasons and facts supporting the findings in this Resolution are described in the Plan.

2.7. The Council further finds, determines and declares that it is necessary and in the best interests of the City at this time to approve the Plan.

Section 3. Approval of the Plan

3.1. Based upon the findings set forth in Section 2 hereof, the Plan presented to the Council on this date is hereby approved and shall be placed on file in the office of the City Clerk.

Section 4. Implementation of the Plan

4.1. After passage and publication of this Resolution, the officers and staff of the City and the City's consultants and counsel are authorized and directed to proceed with the implementation of the Plan, and for this purpose to negotiate, draft, prepare and present to this Council for its consideration, as appropriate, all further modifications, plans, resolutions, documents and contracts necessary for this purpose.

**Authorizing sale of land Seward Friendship Co-op Redevelopment Plan Disposition
Parcel No Bryant-Regina 1-1.**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel Bryant-Regina 1-1, in the Bryant neighborhood, from Seward Community Co-op, Inc. or an affiliated entity, hereinafter known as the Redeveloper, the Parcel Bryant-Regina 1-1, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

Bryant-Regina 1-1; 3800 Clinton Avenue South

East 50 feet of Lots 1 & 2, Block 1, Wolverton's Second Addition to Minneapolis

Whereas, the Redeveloper has offered to pay the sum of \$20,000, for Parcel Bryant-Regina 1-1 to the City for the land, and the Redeveloper's proposal is in accordance with the applicable Redevelopment Plan and/or Program; and

Whereas, the Redeveloper has submitted to the City a statement of financial responsibility and qualifications; and

Whereas, the City has had the re-use value reviewed by an appraisal expert, stating that the re-use value opinion is consistent with the accepted methods in aiding the City in determining a re-use value for the Parcel; and

Whereas, pursuant to due notice thereof published in *Finance and Commerce* on June 27, 2014, a public hearing on the proposed sale was duly held on July 8, 2014, at the regularly scheduled Community Development and Regulatory Services Committee meeting of the City Council, at the Minneapolis City Hall, 350 South 5th Street, Room 317, at 1:30 p.m., in the City of Minneapolis, County of Hennepin, State of Minnesota;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That the re-use value for uses in accordance with the Seward Friendship Co-op plan, as amended, is hereby estimated to be the sum of \$20,000 for Parcel Bryant-Regina 1-1.

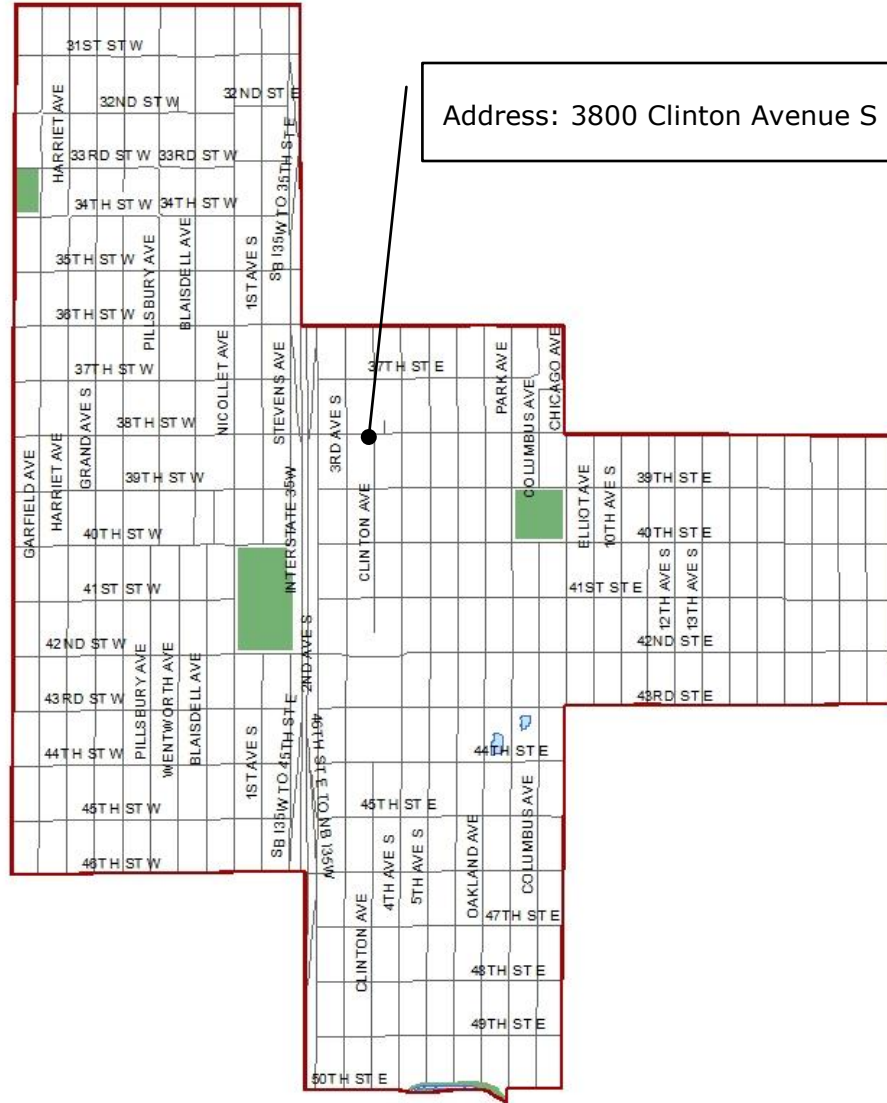
Be It Further Resolved that the acceptance of the offer and proposal is hereby determined to be in accordance with the City's approved disposition policy and it is further determined that the Redeveloper possesses the qualifications and financial resources necessary to acquire and develop the parcel in accordance with the Redevelopment Plan and/or Program.

Be It Further Resolved that the proposal be and the same is hereby accepted, subject to the execution of a contract for the sale of land. Furthermore, that upon publication of this Resolution, the Finance Officer or other appropriate official of the City be and the same is hereby authorized to execute and deliver the contract to the Redeveloper; provided, however, that this Resolution does not constitute such a contract and no such contract shall be created until executed by the Finance Officer or other appropriate official of the City.

Be It Further Resolved that the Finance Officer or other appropriate official of the City is hereby authorized to execute and deliver a conveyance of the land to the Redeveloper in accordance with the provisions of the executed contract and upon payment to the City for the purchase price thereof; provided, however, that this Resolution does not constitute such a conveyance and no such conveyance shall be created until executed and delivered by the Finance Officer or other appropriate City official of the City.

Ward 8

Address: 3800 Clinton Avenue S



TOTAL ACQUISITION COSTS INCURRED BY CPED ATTRIBUTABLE TO THE FOLLOWING PROPERTY:

Date: July 8, 2014
 Subject: Land Sale – Public Hearing
 Seward Friendship Co-op / 3800 Clinton Avenue South
 Address: 3800 Clinton Avenue South
 Purchaser: Seward Community Co-op, Inc.

	A	B	C	D	E	F	G
Address	Purchase Price	Acquisition/ Demolition/ Other Costs	Total CPED Cost to Assemble (A+B)	Re-Use Value Opinion	Sale Price	CPED Cost Write-Off or Sale Proceeds (if > 0) (E-C)	Re-Use Value Write Down (E-D)
3800 Clinton Avenue South	\$8,210	\$0	\$8,210	\$20,000	\$20,000	\$11,790	\$0
Total	\$8,210	\$0	\$8,210	\$20,000	\$20,000	\$11,790	\$0

Write-Down

Reason: N/A

Developer History with CPED: Seward Community Co-op has received a number of loans and a pass-through brownfield pollution remediation grant through the City of Minneapolis for real estate and business operation of their Seward neighborhood stores:

- 2% Loan Program, \$30,000, 2111 E. Franklin, satisfied 1/31/2008
- CEDF Loan, \$328,378.19, 2111 E. Franklin, satisfied 5/1/2012
- NRP Loan, \$85,000, 2111 E. Franklin, satisfied 2/1/2008
- Commercial Corridor, 2% Loan Programs, \$150,000 closed 1/31/2008, 2801 E. Franklin, still open and loan is current
- Tax Base Revitalization Account Grant, passed-through by City of Minneapolis from the Metropolitan Council, \$102,600, 2801 E. Franklin, received in 2007. Seward Co-op successfully implemented the clean-up project and complied with all reporting requirements associated with the grant. Final report was submitted on April 1, 2013.

Developer Information:

☒ Other – Minnesota Cooperative